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2. COMMENT ON PROPOSED FRENCH SOLUTION OF MOROCCAN PROBLEM

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The French cabinet's announced acceptance of the "package deal" for Morocco whereby both Resident General Grandval and Sultan Mohamed ben Arafa are

to be removed is not likely to relieve the serious situation in Morocco.

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The Presence Francaise and other French settler groups have been distributing tracts opposing concessions to the nationalists. The nationalists' understanding with Premier Faure is probably at best only tenuous, and any suspension of agitation by the Arabs will probably be brief unless former sultan Mohamed ben Youssef is soon brought to France and approves the understanding.

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The arming of French settlers which has occurred since 20 August makes reprisals against Moroccan groups and the minority of French residents who favor genuine reforms for Morocco even more likely than in the past. Selection of General Roger Boyer de la Tour, now resident general in Tunisia, as Grandval's replacement is not likely to satisfy the French settlers, among whom Boyer is discredited through his association with the "sellout of Tunisia."

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3. YUGOSLAV POSITION ON BATTLE ACT RESTATED

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Reiterating his government's strong desire for continued US economic aid, Yugoslav ambassador Vidic told Ambassador Bohlen in Moscow

on 28 August that Vice President Vukmanovic-Tempo did not mean to imply to Ambassador Riddleberger that the Yugoslavs could no longer accept the terms of the Battle Act. According to Vidic, the vice president had been only putting forth his government's view that because of the improved international atmosphere, trade restrictions no longer appeared as necessary as in the past.

Vidic confirmed that the USSR had offered Yugoslavia a gold loan at 2-percent interest. He said he did not know whether the Soviet Union was endeavoring in the current Moscow talks to get strategic goods from the Yugoslavs.

Comment

Several Yugoslav officials have attempted to modify Vukmanovic-Tempo's statement, made just prior to his trip to Moscow, that the Yugoslavs would renounce further American economic aid if it were conditioned on continued observance of the Battle Act. This apparent retreat shows that Belgrade, pending talks with the USSR, does not wish to risk termination of American aid, which this fiscal year is scheduled to include a grant of \$34,000,000 as well as possible shipments of surplus wheat and cotton.

4. ANTI-WESTERN LEADER MAY HAVE BEEN OUSTED BY EGYPTIAN REGIME

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Press reports that Major Salah Salim, Egyptian minister for national guidance and Sudan affairs, has been given "leave of absence" suggest that the contest for

power within the ruling Revolutionary Command Council has reached a decisive point.

Salim has long been reputed to be Prime Minister Nasr's principal opponent and leader of an extreme anti-Western faction in the RCC. Although the apparent failure of Salim's campaign to unite the Sudan with Egypt is cited in the press as the reason for his eclipse at this time, there have been numerous reports that Nasr intended to oust Salim whenever he felt strong enough to do so.

There may be a connection between Salim's present status and the Cairo regime's acts of provocation against Israel during the past few days. By such actions, Nasr might seek to assure himself of support from the army if a purge of the Salim faction were under way.

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